

EXECUTIVE SUMMARY

PURPOSE

To determine how fraud detection measures required by the 1988 Family Support Act affected States' pre-eligibility verification activities to prevent inappropriate Aid to Families with Dependent Children.

BACKGROUND

The Aid to Families with Dependent Children (AFDC) program, Title IV-A of the Social Security Act, provides financial assistance to families with children who are deprived of support due to death, absence, or disability of at least one parent. Some families with children deprived of support due to unemployment of the principal wage earner may also receive AFDC assistance.

States must follow Title IV-A regulations for determining AFDC eligibility. Inappropriate AFDC payments are caused by both agency and client (applicant and recipient) errors. Agency errors occur when a State fails to act properly on known information. Client errors may result from an applicant's or recipient's **unintentional** misrepresentation of circumstances or **intentional** misrepresentation. Intentionally withholding or misrepresenting facts may be considered **fraud**.

Section 605 of the 1988 Family Support Act required States to establish pre-eligibility fraud detection measures by October 1, 1989. Further, the implementing Federal regulations required States to annually evaluate the effectiveness of their measures and provide a written report of their evaluations to the Administration for Children and Families (ACF). The first reports were due by February 15, 1991.

FINDINGS

The 1988 Family Support Act had little effect on State activities for preventing inappropriate AFDC payments

Only nine States changed or adopted fraud detection measures following passage of the Act because States believed their verification measures already in place met the Act's requirements. ACF's implementing regulations were broadly written, allowing States to use their existing pre-eligibility verification as fraud detection measures.

States did not routinely use all commonly accepted pre-eligibility verification measures

Most States verified income and assets through computer matches and wage statements--one of three commonly used types of pre-eligibility verification measures.

States said they did not consistently use two other types of verification measures, third-party follow-up and investigative staff, because of (1) limited resources, and (2) concern that it would delay application processing. States must adhere to a federally mandated standard of promptness that requires eligible applicants receive AFDC payments within 45 days from the date of application.

Some States did not evaluate pre-eligibility verification measures

Twelve States in Federal Fiscal Year (FY) 1990 and 18 in Federal FY 1991 did not evaluate their pre-eligibility verification measures as required. Ten of the 12 States that did not perform required evaluations in FY 1990 also did not do so in FY 1991.

States told us they did not evaluate their pre-eligibility verification measures because (1) it required too much time to track the measures, and (2) ACF's reporting requirements focused only on measuring effectiveness of fraud investigative units. The required format for reporting was not applicable to pre-eligibility measures most States use, such as computer matches.

RECOMMENDATIONS

The Family Support Act of 1988 did not achieve its intended purpose of improving pre-eligibility verification to detect inappropriate AFDC payments. We continue to believe that significant opportunities exist to reduce fraud and inappropriate payments through strong pre-eligibility review systems. However, under ACF's regulations, States can comply with the legislative requirements without actually improving their pre-eligibility verification systems. We also discovered a major disconnect between regulations which prescribed no specific pre-eligibility verification activities and evaluation reporting requirements that focused only on measuring the effectiveness of fraud investigative units. Even more important, the current reporting requirements fail to provide ACF the information it needs to make management judgments about the effectiveness of specific pre-eligibility measures or to advise States about how to improve them. Therefore, we recommend that ACF:

1. **Revise its evaluation reporting requirements to make them applicable to all commonly used types of pre-eligibility verification measures, not just fraud investigative units.**
2. **Require States to periodically evaluate their pre-eligibility programs and report the results to ACF, and ensure that they do so.**
3. **Conduct or sponsor its own independent evaluations of State pre-eligibility programs.**
4. **Provide States with information on effective pre-eligibility verification measures, based on States' evaluation reports and ACF's own independent evaluations of States' pre-eligibility programs.**

AGENCY COMMENTS

The Acting Assistant Secretary for Children and Families commented on the report. The ACF concurred with 3 of our 4 recommendations. It did not concur with our recommendation to revise evaluation reporting requirements to make them applicable to all commonly used types of pre-eligibility verification measures, rather than just to fraud investigative units. The ACF noted in its comments that the first year experience with the evaluations did not provide pertinent information about successful practices States use. This is consistent with our finding that the evaluation requirements are not applicable to commonly used types of pre-eligibility verification measures, and the evaluations did not produce useful information for either ACF or States.

We support ACF's plans to use State demonstration projects to evaluate the impact of various verification measures. However, it will be several years before the results of such an evaluation are available. In the interim, we believe that ACF should collect data on the effectiveness of verification measures commonly used by States. Such data serves as performance indicators and provides important trend information to program managers at the Federal, State, and Local level.